

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-56281; File No. SR-CHX-2007-16)

August 17, 2007

Self-Regulatory Organizations; The Chicago Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change as Modified by Amendment No. 1 Thereto to Amend its Bylaws to Prevent Exchange Director from Participating in the Determination of Any Matter Involving an Issuer of a Security Listed or to Be Listed on the Exchange if the Director Is a Director, Officer, or Employee of the Issuer

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 27, 2007, the Chicago Stock Exchange, Inc. (“CHX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by CHX. On August 10, 2007, CHX filed an amendment to the proposed rule change.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

CHX proposes to amend its bylaws to bar a director from participating in a matter relating to an issuer of a security, if the director is a director, officer or employee of the issuer of that security. The text of this proposed rule change is available on the Exchange’s Web site at [http://www.chx.com/content/Participant\\_Information/Rules\\_Filings.html](http://www.chx.com/content/Participant_Information/Rules_Filings.html), at the Office of the Secretary of the Exchange, and at the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Partial Amendment No. 1 modified the last sentence of footnote 6 below, to state that when a director recuses himself or herself from a decision, the Exchange reflects that recusal in the minutes of the meeting at which the recusal occurred, in accordance with its internal written policies.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CHX included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. CHX has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

1. Purpose

Under the Exchange's rules, if the Exchange proposes to delist a security, the issuer of the security has the right to avail itself of a hearing before a hearing officer and to appeal the decision of the hearing officer to the Exchange's Executive Committee.<sup>4</sup> The Exchange's Executive Committee is composed entirely of Exchange directors.<sup>5</sup>

Although the Exchange's bylaws generally prevent a director from participating in the determination of any matter in which the director is personally interested, no provision of the bylaws specifically confirms that a director should not participate in a decision involving the issuer of a security if he or she is a director, officer or employee of the issuer. This proposed change would add a clarification to the Exchange's bylaws to confirm that, in a matter involving the issuer of a security listed or to be listed on the Exchange, a director shall be deemed to be personally interested in the matter if he or she is a director, officer or employee of the issuer of

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<sup>4</sup> See Article 25, Rule 4 of CHX's bylaws.

<sup>5</sup> See Article 2, Rule 2 of CHX's bylaws. The committee must consist of not less than five members, plus the chairman of the Board. A majority of the committee members must be public directors. Id.







